



Neighborhood Stabilization  
Program  
Procedural Manual

October 22, 2009

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The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, or sexual or affectional orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request.

# Introduction

## Mission Statement

Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster stronger communities.

## Background

The Minnesota Housing Finance Agency ("Minnesota Housing" or "MHFA") was created in 1971 by the Minnesota Legislature.

Minnesota Housing is the grantee for the State of Minnesota of \$38.8 million in funds allocated under the federal legislation called the Housing and Economic Recovery Act of 2008 (HERA). Under Title III of HERA, the Neighborhood Stabilization Program (NSP) provides emergency assistance to states and local governments for the redevelopment of Abandoned and Foreclosed Homes and Residential Properties.

## Procedural Manual

This Procedural Manual sets forth for its Subrecipients the eligible fund uses, terms, and conditions under which NSP funds may be used to acquire, rehabilitate, and redevelop Foreclosed and Abandoned Homes and Foreclosed and Abandoned Residential Properties that might otherwise become sources of abandonment and blight for the purpose of stabilizing neighborhoods. Eligible fund uses are:

- Financing mechanisms for the purchase of Foreclosed Homes and Foreclosed Residential Properties;
- Acquisition and rehabilitation of Abandoned and Foreclosed Homes for homeownership;
- Acquisition and rehabilitation of Abandoned and Foreclosed Residential Properties for rental;
- Establishing Land Banks for Foreclosed Homes and Residential Properties;
- Demolition of Blighted Structures; and,
- Redevelopment of demolished or Vacant Property

This Procedural Manual may, from time to time, be amended as necessary to comply with rulings and interpretations from the US Department of Housing and Urban Development (HUD), amendments to the underlying statutes, regulations, rules or procedural changes made by Minnesota Housing.

# Chapter 1 - Subrecipient Responsibilities

## 1.01 Procedural Manual

This Procedural Manual sets forth the terms and conditions under which Minnesota Housing will award grant funds to Subrecipients under the Neighborhood Stabilization Program (NSP). Minnesota Housing is under no obligation to disburse funds for grants that do not fully comply with this Procedural Manual, including schedules and requirements for supporting documentation regarding such grants.

The Neighborhood Stabilization Program Grant Agreement (hereinafter referred to as the Agreement) between State Subrecipients and Minnesota Housing is a supplement to this Procedural Manual. The Agreement is incorporated into this Procedural Manual by reference and is a part hereof as if fully set forth in this Procedural Manual at length.

This Procedural Manual references Federal CDBG Regulations, as amended and/or revised from time to time.

### Amendments/Directives

- Minnesota Housing will make any periodic changes to this Procedural Manual available to all Subrecipients by posting any amendments, changes, etc. in the form of Program Updates and/or E-News Alerts on Minnesota Housing's website. Amendments to this Procedural Manual will be effective as of the date of posting unless otherwise stated and shall be binding upon all Subrecipients.

### Waivers/Alterations/Revisions

- Subrecipients may submit written requests for waivers, alterations or revisions of provisions of this Procedural Manual to Minnesota Housing. Waivers, alterations or revisions may, if allowed by HUD regulations under the NSP Program, statute or rule, be granted at the sole discretion of Minnesota Housing.
- Nothing in this Procedural Manual shall be construed in any way to conflict with, alter or amend any federal or state laws or regulations applicable to Minnesota Housing or any Subrecipient.

## **1.02 Conflict of Interest**

- Conflict of Interest (24 CFR 570.611) can have two forms under the NSP program:
  - Supplies
    - Equipment
    - Construction
    - Services
  - Non-Procurement conflict of interest
    - All other conflicts of interest
- No person who is an employee, agent, consultant, officer, or elected or appointed official of the State of Minnesota or the Subrecipient and who exercises or has exercised any functions or responsibilities with respect to Activities assisted with NSP funds obtained under the NSP Program or who is in a position to participate in a decision-making process or gain inside information with regard to these Activities, may obtain a financial interest or benefit from a NSP assisted Activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereof, either for themselves or those with whom they have family or business ties, during their employment or for one year thereafter.
- No officer, employee, agent, elected or appointed official, or consultant of the Subrecipient may occupy a unit developed by the Subrecipient and assisted with funds from the Program. HUD may grant an exception to this limitation in accordance with the provisions of 24 CFR 570.611(d). Requests for exceptions must be directed to Minnesota Housing for review and submittal to HUD for its consideration and approval.
- Subrecipients must evaluate conflicts and potential conflicts involving, but not limited to, its public officers, any employee, or agent, any member of his/her immediate family, his/her partner, or any organization which employs, or is about to employ, any of the above, among others.

### **Regulation Citations**

Conflicts of interest and potential conflicts of interest are governed by both Minnesota Statutes and Federal Regulations at:

- Minnesota Statutes 471.87-471.89 and 412.311;
- Federal Regulations at 24 CFR 570.489(h) and 24 CFR 570.611;
- local laws governing conflict of interest; and,
- any specific provisions under the Agreement.

Subrecipients are responsible for evaluating conflicts in the context of the Minnesota Statutes, and any federal, state, or local laws. Subrecipients are

responsible for evaluating conflicts to the federal laws and requesting an exception from Minnesota Housing where warranted.

Subrecipients requesting exceptions to federal conflict of interest regulations must provide Minnesota Housing with:

- An opinion of the Subrecipient's attorney stating that the interest for which an exception is sought would not violate state or local law, federal laws and regulations, or falls under an "exception".
- A description of the nature of the conflict. The description must include sufficient detail, such as the relationship that results in the conflict, how long the person has been in the position (if applicable), whether the person is in a position to gain inside information, whether the person participates or participated in any part of the grant decision making process (such as voting to submit the application to NSP, approving individual applications), whether the interest or benefit was present before the person was in their current position, etc.
- Evidence that there has been a public disclosure of the conflict (i.e., copy of council minutes, copy of meeting announcement with conflict on the agenda).

Any correspondence and supporting documentation must be retained by the Subrecipient in a separate file, and copies submitted to Minnesota Housing. Minnesota Housing staff will review this information and make a written determination on whether the situation would warrant granting an exception to federal conflict of interest provisions. If Minnesota Housing determines an exception is appropriate, it will forward a recommendation to HUD for final determination.

### **1.03 Evidence of Misconduct**

Minnesota Housing will enforce all provisions of the NSP Program and refer any evidence of fraud, misrepresentation or other misconduct by a Subrecipient, in connection with program operation, to the appropriate state or federal authority for appropriate legal action.

### **1.04 Termination and Suspension of NSP Grants**

- Federal regulations require Minnesota Housing to take appropriate action to correct any deficiencies in Subrecipient performance, including, but not limited to, suspending or terminating the NSP Activities being carried out by the Subrecipient (24 CFR 570.501(b)).
- Consistent with 24 CFR 570.503(b)(6), the Agreement between Minnesota Housing and the Subrecipient specifies that suspension or termination may occur if the Subrecipient materially fails to comply with any term of the NSP Program, and that the Agreement may also be terminated for convenience (also see 24 CFR 85.43–85.44 and 84.62).
- Termination for Cause

- In the case of noncompliance, Minnesota Housing shall take such actions as may be appropriate to prevent a continuance of the deficiency, mitigate any adverse effects or consequences, and prevent a recurrence, including, but not limited to, suspension of the grant, suspending disbursement of funds, requiring repayment of funds paid for noncompliant Activities, and termination of the grant.

In the event of such cancellation, the Subrecipient shall be entitled to payment, determined on a pro rata basis, for work or services satisfactorily performed.

## Chapter 2 - Administration

### 2.01 Start-up

Subrecipients may request disbursement of NSP funds after the completion of their environmental review and after the Agreement is fully executed.

Subrecipients must satisfy the following requirements (in order of priority) prior to beginning project Activities:

- Complete the environmental review for properties being considered for funding under NSP based on the appropriate level of review. (See the "Environmental Review" section of this Procedural Manual; forms are available from the Minnesota Housing website.)
- Execute the Agreement. Subrecipient access to funds is conditional upon approval of environmental review.
- Develop policies for Activities, including relocation, if needed.
- Develop policies to comply with standard NSP provisions such as:
  - Real Property Acquisition
  - Lead-based Paint
  - Debarred and Suspended Contractor
  - Section 3 Employment Opportunities for Low Income Persons
  - Minority- and Women-owned Business Enterprise Outreach
  - Davis-Bacon Labor Standards
  - Comply with the conditions of the Agreement and all federal, state and local laws.

### 2.02 Pre-Award Costs

- Subrecipients approved for an award of NSP funds are allowed to claim and draw down certain reasonable "pre-award costs," to which the Subrecipient has incurred before the date of the award or the Agreement, in compliance with 24 CFR 570.200(h) and after September 29, 2008. Subrecipients may incur costs necessary to develop the NSP application and undertake other administrative actions necessary to receive its grant. Such costs must be fully documented in the Subrecipient's proposal and be directly related to the specific Activities included in the proposal.
- Pre-award costs that may be eligible under the program include, but are not limited to:
  - grant application preparation;
  - administration;
  - environmental reviews; and,

- other administrative work necessary to comply with the proposed delivery schedule of the project Activities.
- No eligible pre-award costs can be drawn down before Minnesota Housing's clearance of the Subrecipient's environmental review and the submission of the required Fair Housing materials as detailed in this Procedural Manual. In addition, neither the Subrecipient nor any other party can commit NSP funds to an Activity that needs an environmental review and/or Minnesota Housing's clearance of the Subrecipient's environmental review.

## **2.03 Procurement of Goods and Services**

### **The Procurement Process**

Subrecipients must use competitive processes to procure goods and services. Through a competitive process, two or more vendors or contractors bid to provide the Subrecipient with the most favorable price, quality and service.

Depending on the nature of the purchase and the number of available providers, the Subrecipient may select from these options:

- Small purchase procedures;
- Competitive sealed bids (formal advertising);
- Competitive negotiation; and,
- Noncompetitive negotiation.

The requirements of each option are spelled out in the "Procurement" section of "The Common Rule" (24 CFR Part 85.36). The nature of the purchase will determine the option chosen. Subrecipients should also adhere to any state and/or local procurement procedures that cover the situation.

Services obtained from units of government such as HRA, RDC, or for-profit and/or nonprofit organizations do not have to be procured by competitive negotiation, but contracts for these services must only be on a cost-reimbursement basis, accounted for in accordance with "The Common Rule".

### **Documentation of the Procurement Process**

Subrecipients that have not adequately documented the procurement process may be held liable for all funds expended for the goods or services.

## Contracts

- Contracts with goods and/or services providers must, at a minimum, include the applicable provisions described in the Contract Provisions section of the Common Rule (24 CFR 85.36(i)) as well as the provisions for contracts included in the Agreement.
- The Subrecipients legal counsel must insure that contracts with goods and/or services providers:
  - are clear as to the specification of the goods or services to be provided;
  - include the normal prudent safeguards in the contract language; and,
  - comply with all restrictions.

**Note:** *No NSP-related contracts, including but not limited to construction, audits, management, etc. may be awarded to contractors or subcontractors that have been debarred or otherwise suspended from receiving Federal contracts or certain subcontracts. (See Minnesota Housing's NSP webpage, Resources section, for the link to the Federal Excluded Parties List System.)*

**Evidence of this determination must be readily available to Minnesota Housing through the life of the project.**

## 2.04 Disbursement of Funds/Payment Holds

Minnesota Housing will disburse funds to Subrecipients only after the Subrecipient has returned a fully executed Agreement, completed the required environmental review process and addressed any pertinent individual grant requirements.

### Disbursement Methods

There are two methods of disbursement that will be used by Minnesota Housing:

- Reimbursement Method – the Subrecipient will be reimbursed by Minnesota Housing for actual, documented expenditures.
- Cash Advance Method – Minnesota Housing will advance funds to Subrecipients only for acquisition Activities to access funds to purchase Foreclosed and Abandoned Homes and Residential Properties quickly. The Subrecipient must provide the following documentation to secure funds in advance of acquisition:
  - NSP Initial Property Set-Up, NSP Disbursement Expenditures; and, NSP Property Close Out as applicable.
  - Certifications from the Subrecipient for the purchase price and appraisal;
  - Executed environmental review forms with certification;
  - Analysis of impediments and other Fair Housing forms;

- Subrecipient Summary of Fair Housing Information; and,
- Any other documentation or certification requested by Minnesota Housing.

**Note:** *Funds requested to cover eligible government costs (including administrative costs), **must** be disbursed using only the reimbursement method.*

**Note:** *The timing of cash advances shall be as close as possible to the actual disbursement.*

### **Program Income and Net Disbursement**

- Subrecipients must apply Program Income to obligations prior to requesting funds for anticipated costs.

### **Disbursement Requests**

- Subrecipients may request funds by using Minnesota Housing's NSP Property Set-Up and Initial Expenditure/Disbursement Request Form. Funds will be disbursed to Subrecipients on a property-by-property basis for expenses.
- Disbursements must reflect only actual expenses. If the disbursement is greater than the actual project cost, excess funds must be immediately returned to Minnesota Housing. If however, the disbursement is insufficient to cover increases in the cost to complete the project, the Subrecipient must submit a written request for additional funds along with a revised NSP Property Set-Up and Initial Expenditure/Disbursement Request Form.
- Subrecipient must either e-mail the required form and supporting documentation to the NSP mailbox at Minnesota Housing or the Subrecipient may send these documents via regular mail to Ruth Simmons at: Minnesota Housing, 400 Sibley Street, Suite #300, St. Paul, MN 55101.

**Note:** *At no time may the amount disbursed to the Subrecipient exceed the dollar amount awarded to the Subrecipient under the Activity or NSP grant.*

- Timing of Disbursements
  - Draw requests may be submitted to Minnesota Housing on a daily basis; processing days will be Monday through Thursday, except for state-observed holidays.
  - Subrecipients should receive funds in their account 8 business days following the approval of the request.

- Once the request is approved funds will be requested from HUD. Funds are expected to be disbursed to the Subrecipient within 8 business days after approval.
- Interest earned on funds received but not expended must be returned to the U.S. Treasury.
- Payment Holds
  - Minnesota Housing reserves the right to place payments to Subrecipients on hold for a variety of reasons relating to performance or non-compliance with grant requirements, such as non-submission of required reports, or lack of progress.
    - Should this occur, Minnesota Housing staff will notify Subrecipients before the payment hold goes into effect.
    - If the Subrecipient is unable to resolve the situation precipitating the payment hold, Minnesota Housing reserves the right, at its sole discretion, to terminate the grant.

## **2.05 Financial Management**

Subrecipients must establish and maintain a financial management system for the grant which is in compliance with NSP Program requirements. These requirements are accessible through Minnesota Housing's website in the Resources Section of the NSP webpage.

Subrecipients' financial management systems must:

- Provide accurate, current and complete information on the financial status of each grant-supported Activity.
- Be sufficiently detailed to generate status reports, by Activity and property that indicate:
  - funds budgeted;
  - amount obligated; and,
  - amount expended.
- All accounting documents must be supported by source documentation that may include but is not limited to payroll records, invoices or vouchers.
- Activities funded by sources other than NSP funds (including Program Income from Subrecipient revolving loans) must appear and be traceable in the financial management system
  - All staff or employees, including employees of HRAs, CAPs, etc., paid in whole or in part with NSP funds must prepare timesheets indicating the hours worked on all Activities, including NSP Activities, per pay period. Payroll must be based upon these timesheets.

## Chapter 3 - Federal Requirements

### 3.01 National Objectives

The NSP program includes two low-and moderate-income requirements at section 2301 (f)(3)(A) of the Housing and Economic Recovery Act of 2008 (HERA) that supersede existing CDBG income qualification requirements. Under the Low and Moderate Income National Objective requirement all funds appropriated under HERA shall be used with respect to individuals and families whose income does not exceed 120 percent of area median income. An NSP Activity may meet the national objective if the assisted Activity:

- provides or improves permanent residential structures that will be occupied by Low-Moderate-Middle Income Households whose incomes are at or below 120 percent of area median income (abbreviated as LMMH);
- serves an area in which at least 51 percent of the residents have incomes at or below 120 percent of area median income, a Low-Moderate-Middle Income Area (abbreviated as LMMA);

Subrecipients must be able to demonstrate how each Activity will meet this National Objective.

#### **Low, Moderate and Middle Income Household (LMMH), Direct Benefit**

*Commonly used for owner-occupied housing rehabilitation, rental housing rehabilitation, relocation, new construction of residential housing, Activities in support of new, affordable housing development.* These income figures are determined by HUD annually. The most current NSP Program Income Limits can be found on Minnesota Housing's NSP web page in the *Program Information* section.

Subrecipients must state that they understand that all single-family households assisted with NSP funds are LMMH. Fifty-one percent of units in a multi-family rental building must be occupied by LMMH households, and fifty-one percent of the units in the building must have rents that are Affordable.

Subrecipients must establish and follow policies and procedures for determining income eligibility based on household size to document the LMMH benefit. Subrecipients must follow the HOME requirements of 24 CFR 92.252 (a)(c)(e)(f) for rental housing income determination and 24 CFR 92.254 for homeownership.

### **Low, Moderate and Middle Income Area (LMMA) Benefit**

*Commonly used for demolition, public facilities Activities and Land Banks aside from utility hookups on private property that is a part of rehabilitation. (See LMMI Direct Benefit.)*

Subrecipients must demonstrate how at least 51 percent of the benefitting area's residents meet HUD Section 8 income guidelines, using:

- The most recent HUD census data, if the census area matches the benefitting area exactly, such as for a citywide benefit (use the link on Minnesota Housing's NSP web page in the Resources Section entitled: Table, HUD 2000 LMI Census Data for MN Non-entitlement Communities
- If a survey is used, applicants must submit a copy of the income survey and the "NSP Survey Results Spreadsheet – LMMA Area Benefit" (or equivalent) to Minnesota Housing. A sample survey and a fillable "NSP Survey Results Spreadsheet – LMMI Area Benefit" can be found on the NSP website. (Note: The Spreadsheet file contains two worksheets – a completed example and a fillable version.) The most recent HUD income limits adjusted by household size must be used in the survey.

### **3.02 Fair Housing, Equal Opportunity and Civil/Human Rights**

#### **Minnesota Housing Fair Housing and Equal Opportunity Value Statement**

*Minnesota Housing furthers fair housing opportunities in all agency programs and administers its housing program affirmatively, so that all Minnesotans of similar economic levels have equal access to its programs, regardless of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, or sexual or affectional orientation.*

Subrecipients must comply with the Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (FHA), as amended, which prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on: Title VI of the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973; and other statutes detailed in 24 CFR 5.105.

Subrecipients of the Minnesota NSP Program are primarily responsible for marketing the NSP Program at the local level. Marketing methods should be such that no potentially eligible applicants are excluded. Access to NSP Program information and materials must be in compliance with civil rights laws and regulations, including the Minnesota Human Rights Act.

## **Minnesota Human Rights Act**

Under the Minnesota Human Rights Act, Section 363A.36, businesses and non-profits that a) have more than 40 full-time employees at any time during the previous 12 months, and b) bid on or make a proposal for a state contract and agreement for goods or services in excess of \$100,000, must have a Certificate of Compliance issued by the Commissioner of the Department of Human Rights. Certificates are issued to businesses that have an affirmative action plan approved by the Commissioner for employment of minorities, women and disabled persons. This does not apply to units of local government.

### **Affirmative Action Certification**

Subrecipients (excluding units of local governments) must submit either a copy of their Certificate of Compliance or a notarized certification indicating that the local administrator has not had more than 40 full-time employees at any time within the previous 12 months.

## **Title VI of the Civil Rights Act of 1964**

Title VI of the Civil Rights Act of 1964 is the federal law that protects individuals from discrimination on the basis of their race, color, or national origin in programs that receive federal financial assistance. In certain situations, failure to ensure that persons who are limited English proficient can effectively participate in, or benefit from, federally assisted programs may violate Title VI's prohibition against national origin discrimination.

## **Section 109 of the Housing and Community Development Act of 1974**

Section 109 of the Housing and Community Development Act of 1974, the law authorizing the CDBG Program, extends coverage and prohibits the use of federal funds in any way that might exclude, on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, or sexual or affectional orientation. The provisions of Section 109 are very broad and cover benefits, services, methods of administration, housing, employment, contracting and displacement/relocation. Section 109 also includes prohibition against discrimination on the basis of age and handicap which are covered by the Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973. The language of these laws is very similar to the Civil Rights Act of 1964.

## **Contracting with NSP funds**

NSP-assisted projects are subject to the federal requirements found in the Federal Register – Federal Register/Vol. 73. No. 194/Monday, October 6, 2008/Notices (hereinafter referred to as the Notice) and CDBG Regulation at 24 CFR Part 570. These requirements include nondiscrimination, equal opportunity, disclosure, debarment, drug-free workplaces, affirmative marketing, minority outreach, environmental reviews, relocation, labor, lead-based paint, conflict of interest, Executive order 12372, and consultant Activities.

Other applicable laws include those that encourage the participation of women or minority owned businesses.

The full text contained in the following applicable laws must be inserted into all Subrecipients bid documents and contracts:

List of all applicable laws:

- Executive Order 11246, for contracts in excess of \$10,000;
- Executive Order 11625, 12432, and 12138 require efforts be made to encourage the use of minority and women's business enterprises in federally funded programs.

Subrecipient contracts for rehabilitation and new construction projects must contain the following provisions:

- Equal Employment Opportunity: "The contractor shall provide equal employment opportunity to all persons without discrimination as to race, color, creed, religion, national origin, sex, age or disability."
- Affirmative Action: "To the extent possible and practical, the contractor will take affirmative action to provide employment opportunities to all persons without regard to race, color, creed, religion, national origin, sex, age, or disability."

## **Section 3 of the Housing and Urban Development Act of 1968**

Section 3 requires that to the greatest extent feasible, training and employment opportunities shall be given to lower income residents of the area in which the project is located and contracts be awarded to small businesses located within the project area.

- To the extent feasible, the contractor shall provide opportunities for training and employment to lower income residents of the area, particularly residents of public or federally assisted housing.

For contracts in excess of \$100,000, Subrecipients must track and make available to Minnesota Housing the number of new hires who are Section 3 residents.

## **Section 504 of the Rehabilitation Act of 1973**

As recipients of federal funds, Subrecipients must also follow the accessibility requirements stated in Section 504 of the Rehabilitation Act of 1973; Section 109 of the Title I of the Housing and Community Development Act of 1974; Title II of the Americans with Disabilities Act of 1990; and the Architectural Barriers Act of 1968. Together, these federal laws require all recipients of federal financial assistance to ensure accessibility for persons with disabilities. Public facilities and buildings, as well as all projects receiving federal financial assistance, must be designed, constructed and altered to be fully accessible to people with mobility and sensory impairments.

## **The Fair Housing Act**

The FHA applies to both public and private housing. Under the Act, new multifamily buildings must be designed and constructed to have fully accessible common areas. These buildings must also incorporate basic adaptive features in ground floor and elevator-accessible dwelling units to allow for use by people with disabilities. In addition to these requirements, when housing is created using federal funding, at least 5% of a project's dwellings must be fully accessible to people with mobility impairments, and an additional 2% must be accessible to people with vision and hearing impairments.

## **Fair Housing Opportunity**

*Affirmatively Furthering Fair Housing and Analysis of Impediments to Fair Housing Choice*

Subrecipients must follow the Affirmatively Furthering Fair Housing (AFFH) obligations imposed through the CDBG program (24 CFR 570.601 et seq.) AFFH obligations require Subrecipients to:

- Subrecipients that are CDBG entitlement communities shall submit a copy of and follow their Analysis of Impediments. Subrecipients that are not CDBG entitlement communities shall be guided by Minnesota Housing's Analysis of Impediments for the 7-county metropolitan area, whichever is appropriate for the community (either alternative hereinafter referred to as the AI).
- Take appropriate actions to overcome the effects of any impediments identified through the AI; and
- Maintain records of actions taken to address impediments. The AI is an assessment of how a state or entitlement jurisdiction's law, regulations, policies and procedures affect the location, availability and accessibility of housing. It also assesses how conditions, both private and public, affect fair housing choice.

- Subrecipients must submit information on how they will market the NSP program to advance Fair Housing Opportunities, before they can draw-down NSP funds. (See Subrecipient Summary of Fair Housing Information form.)

### *Affirmatively Marketing*

Subrecipients and their Local Subrecipients must work with potential homebuyers to affirmatively market NSP housing units. Minnesota Housing requires that Subrecipients take specific steps in soliciting renters and homebuyers, determining eligibility, and concluding all transactions. These steps include:

- Outreach to protected groups
- Marketing strategy that reaches protected groups
- Self-analysis to make sure all steps are non-discriminatory.

### *Fair Housing/Equal Opportunity Reporting & Tracking*

Subrecipients must develop the following information and provide it to Minnesota Housing upon request:

- Actions taken to promote Fair Housing during the grant;
- The race/ethnicity of the beneficiaries of program Activities;
- The number of female headed households of the beneficiaries of program Activities;
- The contracts awarded to women, minority and Section 3-owned businesses, including contract amount and race/ethnicity of those business owners; and,
- Section 3 business employee information on contracts over \$100,000, including:
  - total new hires;
  - job category;
  - number of employees and trainees;
  - race;
  - color; and,
  - national origin.

### *Collecting and Maintaining Racial and Ethnic Data*

HUD Title VI regulations (24 CFR 1) requires that all of its federally assisted recipients record and maintain information on the race, color or national origin of persons who are applicants for, participants in, or beneficiaries of the NSP Program.

### 3.03 Limited English Proficiency

Subrecipients must “take reasonable steps” to ensure that limited English proficiency (hereinafter referred to as LEP) persons have meaningful access to programs services and information funded through their NSP Grant.

“Taking reasonable steps” includes, but is not limited to the following:

- Subrecipients must ensure that program information is available in the appropriate languages for the geographic area served by the jurisdiction by complying at all times with the ***Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons*** published in the January 22, 2007 Federal Register; and,
- In order to ensure that individuals who need language assistance with respect to a particular type of service, benefit or encounter receive that assistance, Subrecipient plans must be compliant with the following:
  - identifying LEP persons who may need language assistance;
  - identifying ways in which language assistance may be provided;
  - training staff;
  - providing notice to LEP persons; and,
  - monitoring and updating LEP policy.

**Note:** Brochure and additional resources may be found at the Limited English Proficiency federal website noted in the Resources section of Minnesota Housing’s NSP webpage.

### 3.04 Program Income and Reversion of Assets

#### Introduction

Program Income, generated through Activities from NSP funds, must be accounted, expended and reported according to section 2301(d)(4) of HERA, 24 CFR 570.500(a), 570.504 and Minnesota Housing guidelines.

In general, Program Income may either be given to Minnesota Housing or reused for approved Activities in approved areas, as described in the Agreement. Subrecipients must expend all Program Income on hand before drawing down additional funds.

#### Definition and Eligible Uses of Program Income

Program Income is defined as gross income (revenue) received by the Subrecipient directly generated from the use of NSP funds. Program Income includes, but is not limited to, the following:

- Proceeds from the sale or lease of property acquired/redeveloped/rehabilitated with NSP funds;

- Principal and interest payments on loans made from NSP funds
- Revenue returned by individuals or other entities that are not Subrecipients;
- Recaptures on sales of homes pursuant to enforcement of NSP affordability requirements; and,
- See 24 CFR §570.500(a)(1) for more examples of amounts that are treated as Program Income.

### **Program Income Plan**

Subrecipients are allowed to use Program Income in accordance with the Agreement and the CDBG regulations governing management and expenditure of Program Income.

### **Reversion of Assets and Remittance of Program Income**

At the end of the Grant Agreement, the Subrecipient must transfer to MHFA any assets attributable to the NSP grant, including accounts receivable, NSP funds on hand, and real property, as provided for in 24 CFR §570.503(b)(7).

Section 24 CFR §570.504(c) requires that any Program Income held or received by a Subrecipient at or after the end of the Agreement, be paid to Minnesota Housing.

## **3.05 Labor Standards**

- Labor standards laws apply to projects using NSP funds and involving physical construction such as public facilities and residential rehabilitation of eight or more units on a site. Rehabilitation of single family, detached housing units is exempt as long as ***fewer than eight units are included in the contract.***
- When a contract for work that includes NSP funds is bid or awarded, the contractor and subcontractors must comply with the applicable labor standards laws. ***Subrecipients are required to ensure compliance with these laws.***

***Note: Jointly Funded Projects: Projects with joint funding (CDBG, HOME, etc.) may require application of state prevailing wages. Wages and provisions that are the most beneficial to the employee must be paid and/or made.***

## **3.06 Lead Policy**

- The lead-based paint regulatory requirements of 24 CFR part 35 governing the acquisition, rehabilitation, leasing, operations, and sale of NSP-funded housing apply.

- The Environmental Protection Agency (EPA) has developed a renovation-specific information pamphlet. This new pamphlet gives information on: lead-based paint hazards; lead testing; how to select a contractor; what precautions should be taken during renovation and proper cleanup Activities.
- The new pamphlet may be found on the EPA's website, a link for which is included in the Resources section of the NSP web page on Minnesota Housing's website.
- The new pamphlet entitled Renovate Right must be provided to all borrowers. Subrecipients must obtain a written acknowledgment of receipt of this pamphlet from the borrower and retain a copy of the acknowledgement in the project file.
- The Protect Your Family from Lead brochure should be used when a Subrecipient sells an NSP-assisted house.
- All other requirements of 24 CFR Part 35 applies in its entirety to projects receiving NSP funds. Subrecipients must retain records demonstrating compliance with part 35 requirements for review by Minnesota Housing.

### **3.07 Appraisals**

#### **NSP Requirements**

Acquisitions financed with NSP funds are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), and its implementing regulations at 49 CFR Part 24, and the requirements set forth in the NSP Notice that was published in the Federal Register on October 6, 2008. To ensure compliance with the NSP Notice, purchase of foreclosed properties must qualify as voluntary acquisitions under the applicable regulations of 49 CFR 24.101(b). The URA regulations do not specifically require appraisals in connection with voluntary acquisitions under 49 CFR 24.101(b). However, the NSP Notice requires appraisals to be performed with respect to the NSP funded acquisition of Foreclosed Homes and Foreclosed Residential Properties, *even though they may be considered voluntary under the URA*. In those cases, the URA appraisal requirements of 49 CFR 24.103 must be met.

The following guidance on appraisals pertains to acquisitions of Foreclosed Homes and Foreclosed Residential Properties which meet the applicable voluntary acquisition requirements of 49 CFR 24.101(b) and reflects applicable URA requirements and the NSP requirements, including the URA appraisal requirements of 49 CFR 24.103.

- If NSP funds are to be used to acquire a Foreclosed Home or a Foreclosed Residential Property (other than through donation), the Subrecipient must ensure that the purchase price includes a discount from the value established by an appraisal that meets the following requirements:

- The appraisal must have been completed within 60 days prior to the final offer made for the property
- The appraisal must meet the URA definition of an appraisal (see 49 CFR 24.2(a)(3) and the five following requirements (see 49 CFR 24.103(a)(2)):
  - An adequate description of the physical characteristics of the property being appraised (and, in the case of a partial acquisition, an adequate description of the remaining property), including items identified as personal property, a statement of the known and observed encumbrances, if any, title information, location, zoning, present use, an analysis of highest and best use, and at least a 5-year sales history of the property.
  - All relevant and reliable approaches to value. If the appraiser uses more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser's opinion of value.
  - A description of comparable sales, including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.
  - A statement of the value of the real property to be acquired and, for a partial acquisition, a statement of the value of the damages and benefits, if any, to the remaining real property, where appropriate.
  - The effective date of valuation, date of appraisal, signature, and certification of the appraiser.
- The appraiser shall disregard any decrease or increase in the fair market value of the real property caused by the project for which the property is to be acquired or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner.
- If the owner of a real property improvement is permitted to retain it for removal from the project site, the amount to be offered for the interest in the real property to be acquired shall be not less than the difference between the amount determined to be just compensation for the owner's entire interest in the real property and the salvage value (defined at 49 CFR 24.2(a)(23)) of the retained improvement.
- The Subrecipient has a legitimate role in contributing to the appraisal process, especially in developing the scope of work and defining the appraisal problem. The scope of work and development of an appraisal under these requirements depends on the complexity of the appraisal problem. HUD's guide to preparing an appraisal scope of work under the URA is available in HUD Handbook 1378-Appendix 19, a link to which is available on Minnesota Housing's NSP web page in the Resources section.

- The Subrecipient shall establish criteria for determining the minimum qualifications and competency of appraisers. Qualifications shall be consistent with the scope of work for the assignment. The Subrecipient shall review the experience, education, training, certification/licensing, designation(s) and other qualifications of appraisers, and use only those determined by the Subrecipient to be qualified.
- If the Subrecipient uses a contract (fee) appraiser to perform the appraisal, such appraiser shall be State licensed or certified in accordance with title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (12 U.S.C. 3331 *et seq.*).

### **Minnesota Licensing Requirements**

The State of Minnesota requires that real estate appraisers be licensed. A link to the licensing requirements regulated by the Minnesota Department of Commerce can be found on Minnesota Housing's NSP web page in the Resources section.

### **3.08 Environmental Review**

NSP Subrecipients must maintain a written record of the environmental review undertaken for each Activity, which will be available for public review. All NSP Subrecipients must conduct an environmental review before Minnesota Housing can release funds for an Activity. NSP Subrecipients cannot commit NSP or non-NSP funds, by way of contract or other agreement, or take any other action for NSP-funded Activities until an environmental determination has been made and, if applicable, a release of funds is granted by Minnesota Housing.

Depending on the type of project and Activity undertaken, a different level of environmental review will be required. The different levels of environmental review include:

- Exempt;
- Categorically Excluded NOT Subject to 24 CFR 58.5;
- Categorically Excluded Subject to 24 CFR 58.5;
- Environmental Assessment; and
- Environmental Impact Statement.

Each level of review has different documentation and public notice requirements. Refer to the environmental review process contained in Minnesota Housing's "Step-by-Step NSP Environmental Review" packet, which all new NSP Subrecipients receive from their NSP Representative. Contact your NSP Representative for more information.

Due to the targeting nature of the NSP program, an Environmental Assessment will most likely be the level of environmental review undertaken. An Environmental Assessment is required for programs (a set

of functionally related Activities) where there is a likelihood of five or more scattered site, single family properties being undertaken within 2,000 feet of each other or for programs that are clearly designed and intended to develop a specific block, neighborhood or other limited geographic area.

Minnesota Housing will allow for tiered environmental reviews for functionally related Activities that require an Environmental Assessment. In a tiered review, NSP Subrecipients are allowed to designate a Tier I level of review, which must:

- Identify the target area;
- Identify the functionally related Activity being undertaken in the target area;
- The amount of NSP funding, and if applicable, the other funding sources and amounts that are subject to environmental review requirements;
- Identify the components of the environmental review that can be addressed for all properties within the targeted area (i.e., all properties in target area are not subject to a floodplain); and
- Identify the components of the environmental review that can only be addressed at the tier two level for specific properties, which must also include strategies for those addressing those components (i.e., the southwest quadrant of the target area is subject to a floodplain, so any property acquired will require flood insurance upon sale).

At the completion of the Tier I review, the NSP Subrecipient may publish a notice and make a request of release of funds for the whole functionally related action in the target area. Upon selection of specific properties, a Tier II review will be required for the identified Tier II components.

### **3.09 Ability to Commit Funds**

All NSP Subrecipients must conduct an environmental review before Minnesota Housing can release funds for the Activity.

Subrecipients may not commit NSP or non-NSP funds, by way of contract or other agreement, or take any other action for Activities until an environmental determination has been made and, if applicable, a release of funds is granted by Minnesota Housing.

Where NSP funds will be used for the acquisition of a property, the Subrecipient may make an option agreement on a proposed property under the following conditions:

- The cost of the option is a small portion of the entire purchase price;
- The option agreement contains language stating that the purchase of the property is subject to completion of the environmental review by the Subrecipient and a review by the State Historic Preservation Office (SHPO) and,

- The option agreement contains language stating that the environmental review must end in a determination indicating the property is in compliance with the National Environmental Policy Act of 1969 (NEPA) before the property is purchased.

**Note:** *An NSP Recipient may not provide NSP funds to another party to finance acquisition of tax foreclosed (or any other) property from itself, other than to pay necessary and reasonable costs related to the appraisal and transfer of title. A property conveyed in this manner to a Subrecipient, homebuyer, developer or jurisdiction will be NSP-assisted and subject to all program requirements, such as requirements for NSP-eligible use and benefit to income-qualified persons.*

### **3.10 Cost Reasonableness**

Subrecipients providing purchase and rehabilitation assistance directly to homebuyers must certify that the assistance provided does not exceed the cost of rehabilitation and that the cost is deemed reasonable.

The following guidance on cost reasonableness is excerpted from the Federal Grants Management Handbook:

*Generally, a cost is considered reasonable if it passes the prudent person test – it does not exceed an amount that could be incurred by a prudent person under similar circumstances. Other major considerations used in determining if a cost is reasonable are:*

- whether the cost is generally considered as ordinary and necessary to the operation of the grantee or the performance of the federal award/program;
- the restraints or requirements imposed by such factors as sound business practices, arms-length bargaining, federal, state and other laws and regulations, and terms and conditions of other federal awards, or sponsored agreements;
- market prices for comparable goods and services;
- the extent to which actions taken with respect to the cost are consistent with institutional policies;
- whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the grantee organization, its employees, the public at large and the federal government.

**Ineligible improvements include but are not limited to the following:**

- Any furniture or other personal household items;
- Payment, wholly or in part, of assessments for public improvements;
- Construction of or improving existing garage space which will result in personal use garage space per property, exceeding 800 square feet and 3 stalls;
- Construction of or aesthetic improvements to recreational facilities including, but not limited to, patios, gazebos, tennis courts, hot tubs, swimming pools, saunas;
- Costs associated with a project which will be incomplete (i.e. framing in a room addition);
- Greenhouse;
- Improvements begun or purchase of property occurred before the action plan posting date of December 1, 2008;
- Improvements to the portion of buildings or real estate owned by the association in a PUD or Condominium project;
- Labor costs paid to the Borrower or any resident of the household;
- New construction or expansion of an area used in a trade or business;
- Four season building additions which expand the existing housing footprint, except for reasonable expansions dealing with functional obsolescence or improvements which are consistent with neighborhood standards.
- Playground equipment;
- Repairs to or construction of outbuildings including, but not limited to, sheds, utility buildings, shops, barns, silos;
- Underground sprinkler systems; and
- Landscaping and sod, except for restoration of the site following an eligible Activity, or for health, safety or accessibility reasons.

## Chapter 4 - NSP Program Requirements

### 4.01 Eligible Activities

Minnesota Housing sub grants funds to Subrecipients under the NSP Program. Subrecipients may accept applications to undertake eligible Activities (or undertake eligible Activities directly) including:

- Financing mechanisms for the purchase of Foreclosed Homes and Foreclosed Residential Properties;
- Acquisition and rehabilitation of Abandoned and Foreclosed Homes for homeownership;
- Acquisition and rehabilitation of Abandoned and Foreclosed Residential Properties for rental;
- Establishing Land Banks for Foreclosed Homes and Residential Properties;
- Demolition of Blighted Structures; and,
- Redevelopment of demolished or Vacant Property

#### Activity A - Establish Financing Mechanisms

<b>NSP Eligible Use</b>	<b>CDBG Eligible Activity</b>
Establish financing mechanisms	Activity delivery costs for eligible Activity as defined in 24 CFR 570.206 and eligible Activities defined below
<p>A. Financing for the purchase and redevelopment of Foreclosed Homes for low and moderate income homebuyers.</p> <p>B. Financing for the purchase and redevelopment of foreclosed Residential Properties.</p>	<p>24 CFR 570.201            (a) Acquisition            (b) Disposition            (i) Relocation; and,            (n) Direct homeownership assistance, including down payment and closing cost assistance, mortgage interest rate reduction, lease/purchase, Contract for deed.</p> <p>24 CFR 570.202            Eligible rehabilitation and preservation Activities for homes and residential properties.</p>

### *National Objective*

This Activity meets the NSP Program low, moderate and middle income national objective by providing financing for the purchase and redevelopment of housing that will be occupied by households with income levels at or below 120% of area median income.

### *General Terms Under Which Assistance Will Be Provided*

- The role and structure of NSP funds in financing acquisition and/ or rehabilitation is described in the Subrecipient's Agreement.
- End users of financing may be developers or homebuyers.
- Generally, financing provided by Subrecipients to homeowners for acquisition and/or rehabilitation will be without interest, except for circumstances in which the charging of interest or fees is necessary to pay documented costs associated with the financing mechanism. To the extent that NSP funds provide a first lien or equivalent primary financing, such financing mechanisms may be priced at an interest rate that is no greater than the interest rate charged on Minnesota Housing Mortgage Revenue Bond Program loans.
- There are three types of assistance provided by NSP Subrecipients:
  - **Down Payment and Closing Cost Assistance** – When qualifying borrowers, Subrecipients must cap NSP down payment assistance to 50% of the required down payment amount.
  - **Interest Rate Write-Down Dollars** – dollars to a lender in return for reducing the interest rate of a household mortgage.
  - **Principal Loan Amount Write-Down Dollars** – dollars to a lender in return for reducing the amount borrowed by a household or a reduction in sales price.
- Financing provided to other entities for acquisition and redevelopment may charge interest rates from 0% to market rate for equivalent types of financing with a loan term not in excess of 30 years.
- **Needs Based Assistance:** Any NSP needs-based homebuyer assistance which uses a housing ratio less than 30%, must be justified/limited by income or other circumstances, and shall not be less than 25%
- **Incentive-based:** NSP incentive-based homebuyer assistance shall not exceed \$14,000. Subrecipients must disclose whether they will layer needs-based and incentive-based assistance, and their strategy to minimize individual NSP assistance and maximize the number of households to be assisted.
- **Rehab-based:** Subrecipients providing rehab-based assistance directly to homebuyers to incent the purchase and rehabilitation of Foreclosed Homes must certify and ensure that the assistance provided does not exceed the cost of rehabilitation, that the cost is deemed reasonable, and the rehabilitation process will be managed by the Subrecipient to

ensure the property meets rehabilitation standards and is completed in a timely manner.

### **Activity B-1 – Acquisition and Rehabilitation, Homeownership**

<b>NSP Eligible Use</b>	<b>CDBG Eligible Activity</b>
Purchase and rehabilitate Abandoned or Foreclosed Homes in order to sell, rent or redevelop such Homes.	Activity delivery costs for an eligible Activity as defined in 24 CFR 570.206 and eligible Activities defined below: 24 CFR 570.201 (a) Acquisition (b) Disposition (i) Relocation, and (n) Direct homeownership assistance as modified below: 24 CFR 570.202 – eligible rehabilitation and preservation Activities for homes.

#### *National Objective*

This Activity meets the NSP Program low, moderate and middle income national objective by providing homes that will be occupied by households with income levels at or below 120% of area median income.

#### *General Terms Under Which Assistance Will Be Provided*

- Under this Activity, the Subrecipient will acquire and rehabilitate Abandoned and Foreclosed Homes and Residential Properties, which will be made available for sale to the full range of income-eligible persons for homeownership, including those with incomes below 50% of area median income.
- The acquisition and/or rehabilitation shall be conducted by the Subrecipients.
- Subrecipients will use either the HOME recapture or resale requirements to meet the Continued Affordability requirements of the NSP Program. The period of Continued Affordability will be at least as long as the period of affordability described in 24 CFR 92.254(a)(4). Recapture requirements and affordability periods must equal or exceed the requirements of 24 CFR 92.254. But, as with the HOME requirements of 24 CFR 92.254 (a)(5), the requirement that the property continue to be occupied by NSP-eligible owners will expire with recapture of the NSP investment. Where resale restrictions enforce Continued Affordability, repayment of any portion of the NSP investment will not reduce or eliminate the resale restrictions.

## Activity B-2 – Acquisition and Rehabilitation, Rental

NSP Eligible Use	CDBG Eligible Activity
Purchase and rehabilitate Abandoned or Foreclosed Residential Properties in order to sell and/or rent such Properties.	Activity delivery costs for an eligible Activity as defined in 24 CFR 570.206 and eligible Activities defined below: 24 CFR 570.201 (a) Acquisition (b) Disposition (i) Relocation 24 CFR 570.202 – eligible rehabilitation and preservation Activities for residential properties.

### *National Objective*

This Activity meets the NSP Program low, moderate and middle income national objective by providing residential structures that will be occupied by Households with income levels at or below 120% of area median income.

### *General Terms Under Which Assistance Will Be Provided*

- Under this Activity, the Subrecipient will acquire and rehabilitate Abandoned, and Foreclosed Homes and Residential Properties, which will be made available for rental to the full range of income-eligible persons, including those with incomes below 50% of area median income.
- Renters will benefit from this Activity as Foreclosed and Abandoned Residential Properties are brought back on line and rented to tenants at rents that do not exceed the HOME rent limits specified in 24 CFR 92.252.
- NSP funds may also be used to capitalize an operating reserve, if required by the lender providing first mortgage financing, to reduce tenants' rents to more affordable levels.
- Subrecipients will be required to encumber the property by filing a declaration or other document against the property that has been approved by Minnesota Housing. Said declaration or other approved document must enforce the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f), which are identical to those of the HOME program.

### Activity C – Establish Land Banks

NSP Eligible Use	CDBG Eligible Activity
Establish and operate Land Banks for Foreclosed Homes and Residential Properties	Activity delivery costs for an eligible Activity as defined in 24 CFR 570.206 and eligible Activities defined below: 24 CFR 570.201 (a) Acquisition (b) Disposition

#### *National Objective*

The Land Bank Activity meets the HERA low-, moderate- and middle-income national objective by serving an area in which at least 51% of the residents have incomes at or below 120 percent of area median income.

#### *General Terms Under Which Assistance Will Be Provided*

- This Activity will acquire Foreclosed Residential Properties and homes for possible demolition and public facility type interim use (community gardens, for example) until final sale of the property. Final sale must be within ten years for a purpose that will benefit the remaining housing in the neighborhood.
- Subrecipients intending to use NSP funds for demolition must describe short-term and long-term plans for the use of the land, including how and who will maintain the vacated property until it is redeveloped and the timeframe for likely redevelopment of the property.
- Demolition plans should include a strategy for assembling land for redevelopment and not simply demolition on a case-by-case basis. Subrecipients are encouraged to plan interim community uses for Vacant Property such as community gardens, playgrounds and parks.
- Land banks must operate in the pre-defined targeted geographic areas as described in the Agreement with Minnesota Housing.

### Activity D – Demolish Blighted Structures

NSP Eligible Use	CDBG Eligible Activity
Demolish Blighted Structures.	24 CFR 570.201 (d) – Clearance for Blighted Structures only.

#### *National Objective*

The demolition Activity meets the HERA low-, moderate- and middle-income national objective by serving areas in which at least 51% of the residents have incomes at or below 120 percent area median income.

### *General Terms Under Which Assistance Will Be Provided*

This Activity will demolish Blighted Structures that will be replaced with housing, commercial development or a public facility. NSP funds cannot be used for commercial redevelopment, as noted under Activity E below.

### **Activity E – Redevelop Demolished or Vacant Structures**

<b>NSP Eligible Use</b>	<b>CDBG Eligible Activity</b>
Redevelop demolished or Vacant Properties for housing.	24 CFR 570.201 (a) Acquisition (b) Disposition (c) Public facilities and improvements 24 CFR 570.204 – New Construction (n) Direct homeownership assistance (as modified below): <ul style="list-style-type: none"><li>• 24 CFR 570.202 Eligible rehabilitation and preservation Activities for demolished or Vacant Properties</li></ul>

### *National Objective*

This redevelopment Activity meets the HERA low-, moderate- and middle-income national objective when it provides permanent residential structures that will be occupied by households with incomes at or below 120 percent of area median income.

### *General Terms Under Which Assistance Will Be Provided*

- This Activity will redevelop demolished or Vacant Properties only for the purpose of providing permanent housing.
- Redeveloped Homes or Residential Properties must meet codes and standards and be affordable, within the definitions of 24 CFR §92.252 and §92.254 and meet the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f) if rental property, or §92.254 for homeownership housing.

### **Activity F – NSP Program Administration**

<b>NSP Eligible Use</b>	<b>CDBG Eligible Activity</b>
NSP Administration	24 CFR 570.206

### *National Objective*

This Activity meets the HERA LMMA benefit national objective.

### *General Terms Under Which Assistance Will Be Provided*

- This Activity refers to the general administration costs of the NSP Program. Costs incurred since September 29, 2008, are eligible pre-award costs.
- Subrecipients will be eligible for \$3,384,992 of Minnesota Housing's administration program funds, which translates to 8.826% of the total amount of funds agreed upon in Subrecipient's Agreement.

## **4.02 Ineligible Activities**

Ineligible Activities include, but are not limited to:

- Foreclosure prevention Activities such as:
  - refinancing mortgages;
  - paying back taxes or mortgage payments; and,
  - underwriting counseling-related expenses.
- In addition, unless otherwise specifically stated, if an Activity is ineligible under the CDBG Program, it is ineligible under the NSP Program.

## **4.03 NSP Funds Obligation Requirements**

Timely use of NSP funds is a requirement under HERA. All Minnesota Housing Subrecipients must use (obligate) NSP funds within 18 months of March 20, 2009.

Funds are not considered obligated by an agreement that awards funds to a Local Subrecipient. Funds are "used" when they are obligated for a specific Activity. Funds are obligated for an Activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment during the same or a future period.

## **4.04 Maximum Sales Price/NSP Property Value Limits**

### **Maximum Sales Price**

The maximum sales price for a property which will be owner-occupied, is determined by aggregating costs including, but not limited to:

- acquisition;
- rehabilitation and/or redevelopment;
- related Activity delivery costs; and,
- costs related to the sale of the property.

In determining the sales price, the following items may not be included:

- costs of boarding up a property;
- lawn mowing; and,
- costs of maintaining the property in a static condition.

**Note:** *Section 2301(d)(3) of HERA directs that, if an Abandoned or Foreclosed Home or Residential Property is purchased, redeveloped or otherwise sold to an individual as a **primary residence**, then such sale will be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe and habitable condition. (Sales and closing costs are eligible NSP redevelopment or rehabilitation costs.) The maximum sale price is determined by aggregating all costs of acquisition, rehabilitation and redevelopment (including related Activity delivery costs, which generally may include, among others items, costs related to the sale of the property).*

#### *NSP Property Value Limits*

Properties that are acquired and rehabilitated must have an estimated value after rehabilitation not in excess of 95% of the median purchase price for the area. Maximum estimated values are posted on the NSP webpage.

Standard properties not requiring rehabilitation must be purchased at a sales price not in excess of 95% of the median purchase price for the area.

**Note:** *This requirement is in addition to the required discount when purchasing foreclosed properties.*

### **4.05 Acquisition Discount**

The Acquisition Discount from Current Market Appraised Value for Foreclosed Homes and Residential Properties will be at minimum 1% per property.

If the anticipated value of the proposed acquisition is estimated at \$25,000 or less and the acquisition is voluntary, the Current Market Appraised Value of the property may be established by a valuation of the property that is based on a review of available data and is made by any person qualified to make the valuation.

Subrecipients will maintain a data base of acquired properties, their market value, and the discount at purchase, and will be required to provide that data to Minnesota Housing so that it can determine whether it and its Subrecipients are meeting the minimum discount of 1% for properties acquired.

<b>NSP Grantee Portfolio</b>	<b>Appraised Value</b>	<b>Purchase Price</b>	<b>Purchase Discount</b>
House A	\$35,000	\$30,450	13%
House B	\$100,000	\$93,000	7%
House C	\$140,000	\$105,000	25%
Total foreclosed home acquisitions: 3			
Average purchase discount: 15%			

## 4.06 Continued Affordability

As stated in the NSP Notice, Subrecipients shall ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of Abandoned and Foreclosed Homes and Residential Properties under this section remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income or, for units originally assisted with funds under the requirements of Section 2301(f)(3)(A)(ii) of HERA, remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income.

HUD will consider any grantee adopting the HOME program standards at 24 CFR 92.252(a), (c), (e), and (f), and 92.254 to be in minimal compliance with this standard and expects any other standards proposed and applied by a Subrecipient to be enforceable and longer in duration.

<b>NSP Assistance</b>	<b>Affordability Period</b>
Up to and including \$14,999.99	5 years
Between \$15,000 and \$39,999.99	10 years
Greater than \$40,000	15 years
Rental New Construction	20 years

Minnesota Housing will adopt the definition of affordable rents that is contained in 24 CFR §92.252(a), minus utility allowances where tenants pay utilities. NSP Income limits are adjusted for family size. Rents paid by tenants must not exceed the HOME rent limits specified in 24 CFR 92.252, which is the lesser of fair market rent (FMR) or 30% of 65% of area median income, as determined by HUD, with adjustments for the number of bedrooms. Maximum rent includes a utility allowance. This definition is consistent with the Continued Affordability requirements of the same section that Minnesota Housing will adopt for the NSP Program.

### Continued Affordability for NSP Assisted Housing

Subrecipients will be required to include in their loan documents the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f), and §92.254. Affordability requirements for rental properties will be specified in

the loan and/or mortgage documents, and a covenant similar to the HOME program. Mortgages and covenants will be recorded against the property and become part of the public record.

Affordability of owner-occupied housing will be enforced by either recapture or resale restrictions. Each Subrecipient will design its own recapture or resale provisions, which will be applied uniformly within their program. Although the NSP Program may not always finance both the purchase and rehabilitation, Minnesota Housing will consider these Activities to fall under the affordability requirements of §92.254(a) "Acquisition with or without rehabilitation." To meet the requirements of the NSP Program and Notice, rehabilitation funding must be provided simultaneously with the purchase financing.

**Note:** *Subrecipients may request a waiver of continuing affordability documentation by using the Presumption of Affordability approach in whole neighborhoods where historically a significant number of properties have sold to a reasonable range of low and moderate income buyers. The Subrecipient's analysis of the neighborhood must be sent to Minnesota Housing for forwarding to HUD. Any Subrecipient that has requested a waiver under the Presumption of Affordability must document affordability as required above until the waiver has been approved by HUD.*

#### **4.07 Rehabilitating Homes and Residential Properties**

Minnesota Housing's NSP Action Plan rehabilitation priorities include improving properties to meet code and encouraging appropriate energy efficiency components. Subrecipients must document how each project will meet the local standard (or HQS if there is no local standard) in addition to the rehabilitation standards included in Minnesota Housing's NSP Action Plan and reproduced below within a specified time. Subrecipient files should indicate that homebuyer-initiated rehabilitation scopes of work have been reviewed and found adequate. **For more information regarding Cost Reasonableness and ineligible improvements under the NSP Program, see section 3.10.**

#### **NSP Housing Improvement Standards**

##### *General Provisions*

All Subrecipients receiving Neighborhood Stabilization Program (NSP) funds in order to sell, rent, or redevelop a Foreclosed Home or Foreclosed Residential Property shall comply with these housing improvement standards as described herewith which are in addition to property standards already required by local, state, and federal regulations. These standards not only promote housing safety, quality, and habitability that will stabilize neighborhoods but also encourage modern, green building, and energy-efficiency improvements.

Subrecipients shall adhere to the following:

- As a condition of receipt of NSP funds the Subrecipient shall accept all responsibility for complying with these improvement standards and all other applicable local, state, and federal regulations.
- When different codes or standards govern the same condition, conformance must be to the highest or most restrictive code/standard.

#### *Optional Green Building Practices*

Subrecipients are encouraged to incorporate any green building practice that offers an opportunity to create environmentally sound and resource-efficient buildings by using an integrated approach to design. In an effort to encourage modern, green building, and energy-efficiency improvements, Subrecipients are encouraged to incorporate HUD's healthy homes interventions including these seven steps ensuring housing is made and kept:

- **Dry:** Ensure proper drainage away from housing; clean repair gutters and downspouts, repair leaks, seal roofs and windows.
- **Safe:** Install safety devices on doors, cabinets, window blinds and outlets; store all poisonous items out of reach of children and labeled in the proper containers; install smoke detectors and carbon monoxide detectors; have appropriate fire extinguisher available.
- **Well-ventilated:** Service and maintain heating and cooling systems; provide exhaust fans for kitchens, bathroom and dryers to the outside to reduce mold; change furnace filters regularly.
- **Pest-free:** Provide proper storage and disposal for food products, caulk and seal holes; use the least toxic pest management methods.
- **Contaminant-free:** Remove lead based paint hazards properly; provide test kits for radon; reduce volatile organic compounds in paint, carpet, etc.
- **Clean:** Install dust walk-off systems in entry ways; provide smooth, cleanable surfaces; provide effective storage space and containers; choose flooring that is easy to clean; provide vacuum with HEPA filters; implement weekly cleaning regimen.
- **Well-maintained:** Important maintenance calendar for inspecting, cleaning, repairing and replacing housing components/systems.

## Rehabilitation

The following requirements apply to housing receiving NSP funding for rehabilitation activities:

### *Assessment*

In addition to property assessment standards already required by local, state, and federal regulations, properties shall also be assessed for the following: *(Results of all Assessment activities shall be disclosed to purchaser prior to sale.)*

- Any visible mold or water infiltration issues.
- Compliance with smoke detectors, carbon monoxide detection, and GFCI receptacle protection as noted below in Required Rehabilitation Activities.
- Remaining life expectancy of major building component such as roof, siding, windows, mechanical systems and electrical systems, as well as any immediate cosmetic improvements necessary in order to sell or rent the residential property.

### *Required Rehabilitation Activities*

- Conduct mold and/or water infiltration mitigation, if mold or water infiltration is observed during the Assessment. Any moldy materials that cannot be properly cleaned must be removed.
- U.L. approved smoke detection in all locations as required for new construction. At least one smoke detector must be hardwired (preferably located near sleeping rooms).
- GFCI receptacle protection in locations required for new construction.
- Carbon monoxide detection per 2006 legislation.
- Apply Mandatory items in the 2008 national Green Communities Criteria as modified by the 2009-2010 Minnesota Overlay to the Green Communities Criteria to those improvements enacted upon (replacement of any equipment, system, building component, assembly of components, or appliance) at the time of rehabilitation. The following modifications/exceptions to the Agency green rehabilitation policy as outlined in the Minnesota Overlay apply under NSP:
  - The Intended Method of Satisfying Green Communities Criteria and Certification Form, sections 1-8, are required to be completed by the developer. This form must be retained by the Subrecipient and kept in the compliance file with all applicable sections of the form completed outlining the scope of work undertaken in the project and the Compliance Certification section completed by applicable parties. The Intended Method form can be accessed from the NSP forms webpage, under Rehabilitation Guidance.

- Mandatory criteria within Sections 1 - 8 shall be considered 'Optional' criteria under NSP unless improvements enacted upon trigger rehabilitation activities in those applicable sections.
  - If an Activity is triggered in the rehab scope of work it is important to note that the following rehabilitation requirements as outlined in the Minnesota Overlay **do not apply** under NSP **or are modified** as in the case of 5-1b:
    - 3-1 Environmental Remediation
    - 5-1b Efficient Energy Use, Rehabilitation
      - ◀ Instead, follow criteria 5-1a and use current Energy Star Builder's Option Package (BOP) for any equipment/component that is replaced and identified within the BOP – no verification and/or field testing is required.
    - 7-10b Basements and Concrete Slabs, Radon
    - 8-1 Building Maintenance Manual
    - 8-2 Occupant's Manual
    - 8-3 Homeowner and New Resident Orientation
- Any existing equipment, system, component, and/or appliance that remains is exempt from this requirement.

Rehabilitation or stabilization of hazardous materials including lead-based paint and asbestos, must be in accordance with applicable federal, state, and local laws, regulations, and ordinances.

### **New Construction**

The following requirements apply to housing receiving NSP funding for new construction:

- Compliance with 2009-2010 Minnesota Overlay to the Green Communities Criteria for use with the 2008 National Green Communities Criteria (The Intended Method of Satisfying Green Communities Criteria and Certification Form – refer to Minnesota Housing's Website. The Intended Method of Satisfying Green Communities Criteria and Certification Form, section 1-8, are required to be completed by the developer. This form must be retained by the Subrecipient and kept in the compliance file with all applicable sections of the form completed and the Compliance Certification section completed by applicable parties.)
- If multifamily housing, consult and consider the Minnesota Housing Multifamily Design Standards for General Occupancy Rental Housing (Refer to Minnesota Housing's Website)

## **Demolition**

Where demolition occurs, the Subrecipient should consider deconstruction practices where deconstruction crews are available and a market for salvaged materials exists. If a site will not be redeveloped within three months after demolition, the Subrecipient must ensure that soil on the site does not pose a health hazard to the community by either verifying that the soil meets lead clearance levels, removing and replacing the soil with soil that meets clearance levels, or covering the soil with sod or some other barrier to prevent the disbursement of lead dust.

### **4.08 Homebuyer Counseling**

The NSP Program requires that homeowners receive 8 hours of comprehensive homeowner training from a HUD-approved agency prior to purchasing a home with support of NSP funds. Subrecipients should identify HUD-approved homebuyer counseling agencies in their target area for potential homebuyers to contact.

Homebuyers who received qualified homebuyer counseling prior to publication of the NSP Notice on October 6, 2008, meet the training requirement but must be approved on a buyer-by-buyer basis by HUD.

### **4.09 Real Estate Acquisition and Relocation**

The Subrecipient must ensure that the owner is informed in writing of what the Subrecipient believes to be the market value of the property; and that the Subrecipient will not acquire the property if negotiations fail to result in an amicable agreement (see 49 CFR 24.101(b)(1) & (b)(2)).

Relocation assistance under the NSP Program must comply with the requirements of the Uniform Relocation Act of 1970, as amended and with relocation assistance requirements at 42 U.S.C. 5304(d).

The Subrecipient must document its efforts to ensure that the initial successor in interest in a foreclosed upon dwelling or residential real property (typically in a property acquired through foreclosure is the lender) has provided bona fide tenants with the notice and other protections outlined in the Recovery Act. Subrecipients may assume the obligations of such initial successor in interest with respect to bona fide tenants. Subrecipients who elect to assume such obligations are reminded that tenants displaced as a result of the NSP funded acquisition are entitled to the benefits outlines in 24 CFR 570.606.

The use of NSP funds for acquisition of such property is subject to a determination by the Subrecipient that the initial successor in interest complied with the requirements of the act.

Further guidance on relocation assistance is available on HUD's website, a link to which is located in the Resources section of Minnesota Housing's NSP web page.

#### **4.10 One-For-One Replacement**

The one-for-one replacement requirements of 24 CFR 570.488, 570.606(c) and 42.375 are waived for low- and moderate-income dwelling units demolished or converted in connection with an Activity assisted with NSP funds. *Subrecipients must comply with any one for one replacement requirements of local units of government, unless waived for the NSP program*

#### **4.11 Reporting Requirements**

##### **Drawdown Request Report**

- Subrecipients are responsible for providing complete and accurate information on drawdown requests and documentation supporting these requests must be retained and available for review by Minnesota Housing.

##### **Monthly Progress Reports**

- Minnesota Housing requires regular progress reports from Subrecipients. These reports will track actual program outcomes, obligations, and spending patterns against planned operations and outcomes as specified in the Agreement. The frequency and content of reports will vary depending on the type of information required.
- Subrecipients must provide timely and accurate information in connection with Minnesota Housing's input to Disaster Recovery Grant reporting. Each report will include information about the uses of funds, including but not limited to:
  - the project name;
  - Activity;
  - total obligations;
  - location;
  - national objective;
  - funds budgeted and expended;
  - Program Income;
  - the funding source;
  - total amount of any non-NSP funds;
  - numbers of properties/housing units;
  - beginning and ending dates of Activities;
  - numbers of low- and moderate-income persons or households benefiting; and,

- demographic data on properties being assisted by the NSP Program.

Information that is not obtained through the draw request process will be assembled and provided on a monthly basis to Minnesota Housing, such as total dollar amount obligated and total count of properties and units.

## Chapter 5 - Record Retention, Monitoring and Audit Requirements

### 5.01 Record Retention

Subrecipients are responsible for retention of financial records, supporting documents, statistical records, environmental review records and all other records pertaining to the project for a minimum of five years from the date that the NSP Activity was finalized (for all Activities except land banking). Records for land banking Activities must be retained for a minimum of ten years from the final disposition of the land banked property.

### 5.02 Monitoring

Minnesota Housing will examine Activity progress and compliance with the NSP Program and other federal requirements and evaluate organizational and project performance.

Monitoring will occur during the grant term as well as after the grant term to enable Minnesota Housing to determine program Activity, progress and compliance.

#### Types of Monitoring

##### *Monitoring for Outcomes and Impact*

Minnesota Housing will monitor for substantial progress at the 6th, 9th and 12th month following signing of the Agreement. Subrecipients will be evaluated relative to the Activities addendum of their individual Agreement.

Minnesota Housing may consider recapturing funds if progress is insufficient in the obligating of funds. Recapture of funds may occur at anytime. Minnesota Housing will conduct specific monitoring Activities at the 6th, 9th, and 12th months to review the level of obligations made by Subrecipients. Should recapture of funds be necessary, Minnesota Housing will re-evaluate the target areas and progress reports submitted by all Subrecipients at the 9-month mark to identify best opportunities for the re-distribution of recaptured funds.

##### *Onsite Monitoring*

Subrecipients will be monitored onsite at least once during the term of the Agreement. Onsite monitoring may include but is not limited to:

- Federal Objective
- Grant and Financial Management
- Activity

- Environmental
- Labor Standards
- Fair Housing/Equal Opportunity
- Lead Paint Remediation Activities
- Other information as applicable

### *Ongoing Monitoring*

Minnesota Housing's ongoing monitoring of each Subrecipient may include but is not limited to:

- Monthly and Quarterly Reports/Performance Measurements
- Disbursements Requests
- Information regarding the grant process
- Labor Standards-Notice of Awards and Final Reports
- Other information

## **5.03 Audit Requirements**

### **General**

Minnesota Housing, the Legislative Auditors for the State of Minnesota, HUD and the Comptroller General of the United States or any of their representatives shall have the right, upon reasonable notice and during normal working hours, to have access to examine any pertinent books, documents, papers or other records of the Subrecipient relating to the Subrecipient's participation in the NSP Program in order to make audits, examination, excerpts and/or transcripts.

Minnesota Housing may request that all documents be delivered to its place of business upon request. Minnesota Housing reserves the right to make site visits at any stage of the NSP Program process with reasonable notice to the Subrecipient and/or the homeowner or renter.

### **Single Audit Act (OMB Circular A-133)**

- Subrecipients that expend \$500,000 or more of federal financial assistance from all federal sources must have an audit performed in accordance with the requirements of the Single Audit Act (OMB Circular A-133) as referenced at 24 CFR §84.26 and §85.26. Minnesota Housing, as the Grantee, is responsible for identifying deficiencies in program administration by Subrecipients, mitigating such deficiencies and preventing their recurrence.
- Subrecipients must submit A-133 audits to Minnesota Housing's NSP staff within the earlier of 30 days after receipt of the auditor's report, or 9 months following the end of each audit year the Agreement is in effect.

- A link to the most current version of Circular A-133 can be found on the Office of Management and Budget's website.
- The Catalog of Federal Domestic Assistance Number for the Neighborhood Stabilization Program is 14.228. Entitlement grantees should note that this number may be different from their direct agreement and should be accounted for separately in their agreements.
- Minnesota Housing, HUD or HUD's Inspector General may require program specific audits based on single audit or monitoring findings.

### **Program Specific Audits**

Minnesota Housing reserves the right to require Subrecipients to submit to a program specific audit at any time during the grant period.

### **Audit Costs**

- Subrecipients may use NSP funds to pay for the share of A-133 audit costs that relate to the percentage of NSP funds expended that fiscal year. For example, if an A-133 audit is required and NSP funds represent 50% of audited federal expenditures, NSP funds may be used to pay for a maximum of 50% of A-133 audit costs.
- In order to use NSP funds to pay for A-133 audit costs, the Subrecipient must procure audit services as outlined in the Procurement section of the Common Rule (24 CFR Part 85.36).

Program specific audits, if required, may be paid from the Subrecipient administrative budget.

# Appendix

[Definitions](#)

[Forms List](#)

## Definitions

All terms used in the Procedural Manual use mortgage industry standard definitions except for the following:

Term	Definition
Abandoned Home and Abandoned Residential Property	A Home and/or Residential Property is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payment have been made by the property owner for at least 90 days, <i>AND</i> the property has been vacant for at least 90 days.
Acquisition Discount	The acquisition discount from Current Market Appraised Value for Foreclosed Homes and Foreclosed Residential Properties will be at minimum 1% per property.
Activity	A way in which the funds granted to Subrecipients may be used under the NSP.
Affordable Rents	Minnesota Housing has adopted the definition of affordable rents that is contained in 24 CFR §92.252(a) minus utility allowances where tenants pay utilities. This definition is consistent with the continued affordability requirements of the same section that Minnesota Housing has adopted for the NSP Program. Under 24 CFR §92.252(a), a rent is affordable that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit; OR is equal to the fair market rent (FMR) determined by HUD and used in the Section 8 Housing Choice Voucher Program.

Blighted Structure	<p>Minnesota Housing defines a blighted structure as one which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, is detrimental to the safety, health, morals, or welfare of the community.</p>										
Continued Affordability	<p>To the maximum extent practicable and for the longest feasible term, the sale, rental, or redevelopment of Abandoned and Foreclosed Homes and Residential Properties through the NSP Program will remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income or, for units originally assisted with funds under the requirements of section 2301 (f)(3)(A)(ii) of the Housing and Economic Recovery Act of 2008 (HERA), remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income.</p> <p>HUD considers any grantee adopting the HOME program standards at 24 CFR §92.252(a), (c), (e), and (f), and §92.254 to be in minimal compliance with this standard, see chart below.</p> <table border="1"> <thead> <tr> <th>NSP Assistance</th><th>Affordability Period</th></tr> </thead> <tbody> <tr> <td>Up to and including \$14,999.99</td><td>5 years</td></tr> <tr> <td>Between \$15,000 and \$39,999.99</td><td>10 years</td></tr> <tr> <td>Greater than \$40,000</td><td>15 years</td></tr> <tr> <td>Rental New Construction</td><td>20 years</td></tr> </tbody> </table>	NSP Assistance	Affordability Period	Up to and including \$14,999.99	5 years	Between \$15,000 and \$39,999.99	10 years	Greater than \$40,000	15 years	Rental New Construction	20 years
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Up to and including \$14,999.99	5 years										
Between \$15,000 and \$39,999.99	10 years										
Greater than \$40,000	15 years										
Rental New Construction	20 years										

Current Market Appraised Value (CMAV)	The current market appraised value means the value of a Foreclosed Home or Foreclosed Residential Property that is established through an appraisal made in conformance with the appraisal requirements of the Uniform Relocation Act at 49 CFR 24.103 and completed within 60 days prior to a final offer made for the property by a grantee, Subrecipient, developer, or individual homebuyer.
Foreclosed Home or Foreclosed Residential Property	A Home or Residential Property has been foreclosed upon at the point that under state or local law, the mortgage or tax foreclosure is complete. Generally a foreclosure is not considered to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.
Home	Any type of permanent residential dwelling unit, such as detached single family structures, townhouses, condominium units, multifamily rental apartments (covering the entire property), and manufactured homes where treated under state law as real estate.
Income Limit	NSP income limits are 50% of HUD Area Median Income and 120% of HUD Area Median Income.
Land Bank	A Land Bank is a governmental or nongovernmental nonprofit entity established, as least in part, to assemble, temporarily manage, and dispose of Vacant Property for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of the property.
Local Subrecipient	A local government or nonprofit agency selected by the State Subrecipient to administer the NSP Program on behalf of the State Subrecipient or to assist the State Subrecipient to administer the NSP program.

Low, Moderate, and Middle-Income Household	Abbreviated as LMMH, the aggregated income of a household is less than or equal to 120% of median income as defined by HUD.
NSP Notice	A Notice published in the October 6, 2008 Federal Register describing allocations to state and local governments, the NSP Program and alternative requirements that, for purposes of the NSP Program, amend the Community Development Block Grant regulations.
Presumption of Affordability	One-time documentation of Continued Affordability for whole neighborhoods believed to be affordable because a reasonable range of low and moderate income buyers have purchased and continue to purchase in the area.
Program Income	Income received by Minnesota Housing or generated by a Subrecipient directly from the use of NSP funds as further defined in 24 CFR 570.500(a).
Residential Property	Homes as defined above and Vacant Property that is currently designated for residential use, e.g. through zoning.
State Subrecipient	A public or nonprofit agency, authority or organization receiving NSP funds via a written agreement with Minnesota Housing.
Subrecipient	A public or nonprofit agency, authority or organization receiving NSP funds to undertake Activities eligible for assistance under the Housing and Economic Recovery Act of 2008.
To “use” NSP funds	Funds are “used” when they are obligated for a specific Activity. Funds are obligated for an Activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment by the state, unit of general local government, or Local Subrecipient during the same or a future period. Funds are not considered obligated by an agreement that awards funds to a State Subrecipient or Local Subrecipient.
Vacant Property	Unoccupied property or land that was once developed; greenfield sites are ineligible.

## Forms List

### Environmental Review and Guidance Forms

Environmental Review Guidance  
Environmental Review Resource  
Environmental Review Agency Contacts Dissemination of Notice List

### Exempt – Worksheets

Categorically Excluded – Not Subject to 58.5 – Worksheet  
Categorically Excluded – Subject to 58.5 – Worksheet  
Categorically Excluded – Notice of Intent to Request Release of Funds  
Environmental Assessment – Tiered Review – Worksheet  
Environmental Assessment – Combined Notice of FONSI – Intent to Request Release of Funds  
Minnesota Housing Request for Release of Funds – Form

### Disbursement Forms

Disbursement Forms Instruction Page  
NSP Initial Property Set up  
NSP Disbursement Expenditures  
NSP Disbursement Expenditures – Administrative Costs  
NSP Property Close Out

### Fair Housing Forms

Affirmative Fair Housing Marketing Plan  
Analysis of Impediments to Fair Housing  
Subrecipient Summary Fair Housing Information

### Rehabilitation Guidance

Housing Improvement Standards  
Method of Satisfying Green Communities Criteria and Certification

### Income Verification

Income Eligibility Calculation Worksheet

### Implementation Resources

List of Links for NSP FORMS and Guidance Documents